3:Kemeny G-5 (1945-48)1953 EC1 Hungary EC1

464 units, and the rate at which it could be eliminated was uncertain. As to the scale of industrial employment brought about by the Three-year Plan, it was not unprecedented, for a similar level had been recorded in 1943, though only at the peak of the war-time efforts.

A rise of the labour force in manufactures up to 415,000 (excluding small-scale industry and the whole building trade), together with an additional 70,000 employed in mining, could not be qualified as a new phase of the industrial revolution in face of a total actively engaged population of 4·3 to 4·5 million.

433 Nevertheless the Plan did bring about a change, and a definitive one, in the economic position. Not that it altered the economic structure of the country, for the changes in industrial production were mostly through extensions at existing centres. Besides the re-equipment of a great number of workshops, there were, of course, new factories built. In line with the much boasted self-sufficiency in capital goods, the engineering industry was set the new task of extending the scale of machine-tool production, a section hardly existing previously in view of a restricted

[371] market. For an external observer the most conspicuous change in the field of industrial development was perhaps the expansion of power generation. It was raised by 70 per cent in comparison with pre-war production. Besides providing sufficient current for industry, the extension resulted in the inclusion of quite a number of country districts, hitherto without electric current, in the network of supply. Still, the general picture presented by Hungary's economy at the close of the Three-year Plan, in so far as the degree of industrialization was concerned, did not fundamentally differ from that remembered in pre-war times: an agricultural country on its way towards industrialization. The change-over to an industrial community is to be realized by the new Five-year Plan contemplating an industrial labour force exceeding the million mark at the end of 1954. This programme requires the establishment of a great number of new factories. Accordingly it is intended to spread industry over the countryside and also to create new industrial centres.

TRADE RELATIONS

241 423 An appraisal of trends in external relations appears possible only if viewed against the background of pre-war conditions. In this context changes in agriculture—past and impending—are of consequence.

In replacing large-scale farming by subsistence farming on one-third of the agricultural area, the land reform tended to

third. Prewar production was only 1,500 tons, but by 1943 it had increased to 7,900 tons. To achieve the increase in production, the two plants producing aluminum oxide were to be enlarged and a third large plant constructed, the largest single project of the Three Year Plan, the cost of which was estimated at 150 million forints.[25]

Reports on the plan claimed that the furnace for the production of ferromanganese was completed in the first year and that the ferrosilica plant had been reconstructed with a capacity of 2,200 tons.[26] The two aluminum oxide plants had been enlarged but were not used to full capacity. No reference was made to the third large aluminum oxide plant planned.[27]

Production developed, on the whole, as planned, in spite of minor setbacks in the first year when production of pig iron was 343,000 tons, slightly less than planned. But steel was above the goal with 719,000 tons. In 1949 on the basis of the percentages given, production appears to have been much higher than originally planned for 1949-1950. Output of pig iron was reported at 428,000 tons, of steel at 890,000 tons, and of aluminum at 14,000 tons.

Power

Power, a continuing bottleneck, became an even more serious one after the war, due to war damage and the dismantling for reparations of some of the most efficient modern power plants and of a large 128,000 KW plant constructed but not completed during the war. At the cost of 200 million forints, a number of less efficient plants were to be reconditioned, the dismantled plants rebuilt, including part of the 128,000 KW plant, and the output of power was to be increased in three years to 2.0 billion KW hours, 43 percent above the 1938 output of 1.4 billion KW hours. Here again reference to 1938 gives a misleading picture because output reached 2.1 billion KW hours in 1943.

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25. Construction of the plant was started in Almasfuezitoe in 1941, but the work had not been completed by 1944, and there was also war damage through Allied bombing. Originally earmarked for dismantling for reparations, the plant was finally left in Hungary, became Russian property under the Potsdam Agreement and as a Soviet asset was turned over to the Soviet-Hungarian Aluminum and Bauxite Company set up in 1946.

26. The ferromanganese furnace is in Diosgyoer, the ferrosilica plant (capacity 5,000 tons) in Zagyvarona.

27. The two plants are in Ajka and in Magyarovar. The third is in Almasfuezitoe.

In the first year work was started on two of the most important plants mentioned in the blueprint and it was expected that they would be put into commission in 1949.[28] The Final Report claimed that both had been completed. In addition one power plant was enlarged and five were reconditioned.[29] Altogether 47,000 KW have been added to the capacity of the power plants, which in 1946 totaled 1.1 million KW. In addition, work was started on two other plants, one using natural gas and the other low-grade coal.[30]

Costs were greater than expected and in the first year the budgeted figure was exceeded by 186 percent. There is no information concerning the final figure.

Output of power was 1.9 billion KW hours in the first year against the planned 1.6 billion KW hours, and was claimed to have reached 2.2 billion KW hours in 1949, exceeding the goal set for 1949-50 by 20 percent.[31]

Manufacturing Industry

The gross output of manufacturing industry, excluding power, was to be raised to 11.4 billion forints in the first year and to 16.5 billions in the third, against 13.1 billion forints in 1938 and 7.5 billions in 1946-47. For individual industries the planned increases ranged from 3 percent in leather to 64 percent in engineering. Wartime development had been concentrated in the iron and metal industries and in engineering where, under the pressure of reparations, the rate of reconstruction had also been the quickest. As a result, relative to the level reached in 1946-47, the planned increases became markedly different from those relative to the level in 1938. They ranged from 8 percent (chemicals) to 143 percent (clothing industry). In the iron and metal industries and engineering the required increase was 30 percent. In the light of capacity and level of production in 1938 and 1943 and the capacity available in mid-1947, the aims did not seem unattainable, provided the flow of raw materials could be assured and individual output improved.

In the first year manufacturing industry exceeded its global goal by 4 percent. Results for individual industries were below the planned figure in textiles, clothing and the food-processing industries. All the others exceeded their aim by 7-56 percent. Heavy industry had an excess of 23 percent to its credit.

28. Mátravidéki in Loerinci and Csepel.

29. Diosgyoer, Komlo, Salgotarjan, Debrecen, Kecskemet, Satoraljaujhely.

30. Lovaszi and Varpalota.

31. For changes in volume of output, see Tables IV, Va and Vb.

1954, that is, an increase of 64 percent. That output is nearly twice as great as that of 1938 and is much higher than the wartime peak of 12.7 million tons. Production of bauxite and oil is to be considerably increased but no figures are given. The 2.5 billion forints to be invested in mining will be spent mainly on mechanizing operations.

In metallurgy, the planned increase in gross output is 95 percent above that of 1949. The value of output given for 1954 is 4.7 billion forints which is 2.6 times greater than the 1938 value.

The production of pig iron will be increased from 428,000 tons in 1949 to 960,000 tons in 1954, that of steel from 890,000 tons to 1,600,000 tons. This represents increases of 125 and 91 percent over 1949 and of 187 and 150 percent over 1938.[12]

To achieve the contemplated rise, 4.0 billion forints will be invested in constructing a modern blast furnace of large capacity in addition to the six existing, in the construction of another furnace for the production of ferromanganese, another electric aluminum furnace and a steel mill. Mohacs, a small town on the Danube, not very far from Yugoslavia, will be developed into a large center of heavy industry. The high grade brown coal deposits of Pecs are not very far away and there is some poor iron ore, the working of which was long ago abandoned.

Power

The production of power, 2.2 billion KW hours in 1949, already slightly greater than the wartime peak, is to reach 4.3 billion KW hours in 1954, that is, it will be nearly doubled and will require investments of 3.3 billion forints. The plan provides for the modernization of existing plants, for the construction of 20 new power plants to utilize low grade coal, and also for the construction of a hydroelectric plant (Tiszaloek) and another utilizing natural gas (Lovaszi). The construction of the former will, incidentally, bring to completion a large-scale project for river regulation and irrigation begun but not completed before the war.

12. As Czechoslovakia and Romania inherited most of the iron resources of the Carpathian Basin, the heavy industry of Hungary depended on imports of essential raw materials. Forty-three percent of the iron ore, 20 percent of the pig iron, 81 percent of the coke, 73 percent of the limestone, 52 percent of the scrap iron used had to be imported. Difficulties in the supply of raw materials and costs handicapped the development of heavy industry in the interwar period. Germany, an important source of supply before World War II, was replaced by the Soviet Union.

THE FIRST HUNGARIAN FIVE YEAR PLAN 1950 - 1954 51

The national grid will be extended and 850 km. of high-tension cables will be added to the existing 8,200 km.[13]

185 X
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Manufacturing Industry[14]

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In the fifteen years of 1925-1939, the gross output of the manufacturing industry increased by about 70 percent. Industrial output in 1954 is planned to be twice as high as in 1949. Since the level of industrial production in 1949 was claimed to have been around 50 percent above prewar level, the planned rise will result in output nearly three times as great.

The increase will be very unevenly spread. It will be much greater in the heavy industries than in the light industries.[15]

Within heavy industry, the development of engineering and especially the production of machine tools will be speeded up. The output of the latter is planned to be nearly 233 percent higher in 1954 than in 1949 when it was given as 185 million forints at January 1947 prices. It is intended to undertake the production of new items: diesel tractors, combines, corn-harvesting machines, road-building machines, mining machinery, automatic looms, trolley busses. Mass production methods will be introduced and greater specialization achieved.

Investments in heavy industry are budgeted at 4.2 billion forints. A number of new plants will be built, including a high grade steel plant, foundries, machine tool works, plants to manufacture machinery for flour mills, textile machinery, oil pumps, diesel engines, heavy and light iron constructions, etc. Some of these plants will be built on the Danube, others in the northeast, already a center of heavy industry.

[1457]

The output of mass-produced iron goods (nails, screws, agricultural implements, household goods, etc.), that of instruments, appliances, electrical machinery and appliances will be increased by 101 percent over 1949 and will reach 3.8 billion forints in 1954.

The plan provided 0.9 billion forints for investments. Some new plants are planned to produce kripton gas, telephone and wireless appliances.

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13. Their length was 8,105 km. in 1946. The most important line in construction, connecting the new Mátravidéki power plant with Budapest, may have been completed by 1949 and brought into total length to about 8,200 km.

14. Available figures are summarized in Tables III, IV, Va and Vb in the Appendix. For physical output of two principal products, see Table VII.

15. In the terminology now used in Hungary, heavy industry includes mining, metallurgy, the iron and metal industry, engineering, power, clay-brick-earthenware manufacture, glass and chemicals. In this paper the phrase is used in its ordinary sense, unless stated otherwise.